

From: "William Dills" <bdills@fcbflorida.com> on 02/15/2006 04:30:02 PM

Subject: Interagency Concentrations in Commercial Real Estate Lending

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Jennifer Johnson

Dear Jennifer Johnson:

Hello,

I write to you today because I think it is important to comment on the Guidance being proposed with respect to commercial real estate lending. Commercial real estate lending is an extremely important part of the economy in Florida and likewise it is an extremely important part of bank lending.

I understand the need for sound lending and sound loan portfolios. I have concerns, however, that the Guidance as announced will have a negative overall effect on my institution (1st Commercial Bank of Florida) and the economy as a whole.

My concerns are not so much with the individual practices set out in the Guidance, but rather with the way the Guidance is imposed. We have had experience in which examiners impose existing regulations differently than they had previously done in the past. The proposed Guidance contains certain thresholds and a laundry list of practices and requirements. I am concerned that the rules of the game have suddenly changed.

Specifically there are several points we would like for the Guidance to make clear. First, in looking at concentrations there will not be a one size fits all response. Each of our institutions has a different history, different controls, different portfolios, and different markets. When those in the field determine there is a concentration any response needs to be tailored for the specific circumstances.

Second, we hope the Guidance will make it very clear that if the concentration thresholds are exceeded it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution.

Third, the Guidance should expressly indicate that its purpose is not to discourage commercial real estate lending.

If the Guidance is imposed in a mechanical or arbitrary manner or if it is intended to effect a policy shift discouraging commercial real estate lending then I fear grave consequences. Secured real estate lending has been the bread and butter of banks in Florida. If such loans are not available, will we have to look to other types of credits which have historically been more risky?

Most importantly, if the message is perceived that commercial real estate lending has great regulatory risk, such loans will significantly diminish.

This will lead to a downturn in our economy that will create systemic problems for banks far beyond the risk of commercial real estate loans.

I thank you for your consideration of these concerns and comments and hope that the final Guidance will address them in a meaningful way

Sincerely,

William Dills